

# EXHIBIT 1



July 15, 2008

**VIA U.S. MAIL AND ELECTRONIC MAIL**

Christopher E. Krueger  
Senior Assistant Attorney General  
455 Golden Gate Avenue, Suite 11000  
San Francisco, CA 94102-7004

Paul B. Mello  
Hanson Bridgett LLP  
425 Market Street, 26<sup>th</sup> Floor  
San Francisco, CA 94105

Rochelle C. East  
Supervising Deputy Attorney General  
1300 I Street, Suite 125  
P.O. Box 944255  
Sacramento, CA 94244-2550

Re: *Funding the Receiver's proposed Construction Projects*

Dear Counsel:

In its Order Granting Receiver's Unopposed Motion To Join Controller As Defendant And Order Granting In Part Receiver's Request For Discovery Order, dated July 10, 2008, the Court in *Plata* stayed formal discovery by the Receiver until July 31, 2008, in order to permit "Defendants, which now include the Controller, . . . to meet and confer with the Receiver in an attempt to produce all necessary information without formal discovery." Order, p.2. This letter is intended to offer the defendants the opportunity to provide such information. We propose that the parties meet by no later than July 22, 2008 to discuss the information that the Receiver requires to permit him to seek an appropriate order compelling funding by the State. To make the meeting as productive as possible, we provide below a partial list of the questions we have and to which we would like a response.

1. Do defendants intend to fund the Receiver's proposed construction projects without the necessity of a court order? If so, in what amounts, by what dates, and through what funding mechanisms?
2. In the event that a court order is required to compel the Controller to draw warrants on the State Treasury to fund the Receiver's projects, is there particular language defendants require in such an order to ensure that the funds are forthcoming? Are there particular funds or accounts that the Court should identify in such an order, or is an order directing

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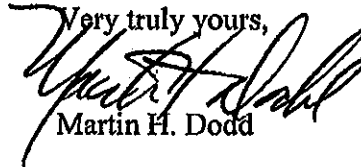
that payment be made in a specified amount from the General Fund sufficient?

3. Please identify all banks or depository institutions in which State funds are currently held or deposited and the respective balances held at each such institution.
4. As of June 30, 2008, the Controller reports that the Special Fund for Economic Uncertainties held \$925,715,000. What is the current balance in that fund? Is the Special Fund for Economic Uncertainties a source that may be utilized to fund the Receiver's projects in part? If not, why not? Where and in what form is the Special Fund for Economic Uncertainties held?
5. What is the current balance in the Economic Recovery Fund? Is the Economic Recovery Fund a source that may be utilized to fund the Receiver's projects in part? If not, why not? Where and in what form is the Economic Recovery Fund held?
6. What is the current balance in the Budget Stabilization Account? Is the Budget Stabilization Account a source that may be utilized to fund the Receiver's projects in part? If not, why not? Where and in what form is the Budget Stabilization Account held?
7. What are the current balances in the Surplus Money Investment Fund ("SMIF"), the Pooled Money Investment Account ("PMIA") and the State Expenditure Revolving Funding ("SERF")? If the General Fund is exhausted, will defendants request a transfer pursuant to Government Code §§ 13332 and/or 16310 to the General Fund from other funds or accounts, including the SMIF, the PMIA, and the SERF, to fund the Receiver's projects? If not, why not? If so, in what amounts and by what dates?
8. Will defendants use the General Cash Revolving Fund to fund the Receiver's projects? If not, why not? If so, in what amounts and by what dates?
9. Will defendants issue Revenue Anticipation Notes to fund the Receiver's projects in whole or in part? If not, why not? If so, in what amounts and by what dates?
10. As of June 30, 2008, the Controller identified more than \$12 billion in short-term "borrowable resources." Please identify all such "borrowable resources" and the amounts currently available. Will defendants utilize such resources to fund the Receiver's projects in whole or in part? If not, why not? If so, in what amounts and by what dates?
11. Please identify a person or persons most knowledgeable about the sources and uses of cash in the State General Fund, the methods by which funds are transferred to and from the General Fund and other sources and the legal authorization for such transfers, the procedures that are followed and/or required to effectuate transfers from other accounts or funds to the General Fund, the methods and mechanisms by which the State raises cash

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and/or funds obligations when the General Fund is exhausted, the funds or accounts that are potentially available as sources of cash for the General Fund, the location(s) at which State funds are held or deposited and the amount and availability of borrowable resources.

Please let us know if you are available for a meeting within the next week. We look forward to meeting with you and getting answers to our questions.

Very truly yours,  
  
Martin H. Dodd

cc: (All via e-mail)  
Andrea Hoch  
Benjamin Rice  
Kyle Lewis  
J. Clark Kelso  
John Hagar  
Jared Goldman  
Linda Buzzini

# EXHIBIT 2



EDMUND G. BROWN JR.  
Attorney General

State of California  
DEPARTMENT OF JUSTICE

1300 I STREET, SUITE 125  
P.O. BOX 944255  
SACRAMENTO, CA 94244-2550

Public: (916) 445-9555  
Telephone: (916) 445-7385  
Facsimile: (916) 324-8835  
E-Mail: Christopher.Krueger@doj.ca.gov

July 22, 2008

Martin H. Dodd, Esq.  
Futterman & Dupree LLP  
160 Sansome Street, 17th Floor  
San Francisco, CA 94104

RE: *Marciano Plata, et al. v. Arnold Schwarzenegger, et al.*  
United States District Court, Northern District, Case No. 3:01-cv-01351-TEH

Dear Mr. Dodd:

This letter responds to your letter dated July 15, 2008, in which you proposed that the state defendants meet with the Receiver to discuss issues related to the funding of the Receiver's proposed construction projects. Your letter included questions that the Receiver would like to have answered.

The state defendants agree that the information that the Receiver seeks can be conveyed through the means of informal discovery requests rather than through formal discovery. This is consistent with federal court's discovery stay order in *Plata* issued on July 10, 2008, in which the court gave the parties the opportunity to informally share information. In a continued spirit of cooperation, we provide these informal responses to your questions. After reviewing these initial responses, please feel free to contact us if the Receiver has questions or needs clarification. We are also willing to meet with the Receiver's Office to discuss these matters further, if that is required.

As we have informed the Receiver in prior communications, the way to fund the Receiver's proposed construction projects is to obtain authorization from the California Legislature. Indeed, the state defendants continue to work diligently to secure such legislative authorization. Defendants would prefer to fund the Receiver's proposed construction projects without the necessity of a federal court order. Senate Bill 1665 (Machado), or some other bill containing its substance, would fund the Receiver's proposed construction projects and would not require a court order. The last version of the bill authorized \$6.9 billion in lease revenue bonds to fund the Receiver's proposed construction projects. However, as this letter explains, other proposed methods to fund the Receiver's proposed construction projects are inconsistent with California law and could expose defendants to personal liability.

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**I. The State Defendants Lack Authority to Appropriate Funds, and Could Face Personal Liability, If They Utilize Funds in a Manner Not Authorized by an Appropriation.**

Several of the Receiver's queries ask whether the state defendants would agree to fund the Receiver's proposed projects out of special funds earmarked for other uses. While the legal limitations on use of certain funds are addressed below in response to each question, a general explanation of the ability of state defendants to respond voluntarily to the Receiver's request may clarify matters.

**A. The Governor's Emergency Proclamation for Prison Overcrowding Cannot Be Used to Fund the Receiver's Proposed Construction Projects Because the Receiver's Projects Will Not Mitigate the Emergency Condition.**

The Receiver has suggested that the state defendants could use the Governor's existing Emergency Proclamation regarding prison overcrowding to obtain funding for the Receiver's projects. However, the Emergency Proclamation is based on the severe prison overcrowding caused by the use of non-traditional beds in 29 identified state prisons. The proclamation orders contracts with out-of-state correctional facilities and inmate transfers immediately to mitigate the severe overcrowding in 29 of the 33 state prisons. The Receiver's proposed construction projects are long-term in nature and will not have any immediate effect to mitigate the emergency condition. Therefore, there is no nexus between the Receiver's proposed construction projects and mitigating the severe overcrowding caused by the use of non-traditional beds. Accordingly, the existing emergency proclamation cannot be used to obtain funding for the Receiver's proposed construction projects.

**B. The State Defendants Cannot Agree to Fund the Receiver's Proposed Construction Projects in the Absence of Legislative Authorization Without Violating California Law and Potentially Incurring Personal Liability.**

Asking whether the state defendants would fund the Receiver's projects from special funds elides the distinction between possession of funds and their appropriation by the Legislature. The California Constitution provides that "[m]oney may be drawn from the Treasury only through an appropriation made by law and upon a Controller's duly drawn warrant." (Cal. Const., art. XVI, § 7.) The Government Code further provides that "a warrant shall not be drawn unless authorized by law, and unless . . . unexhausted specific *appropriations* provided by law are available to meet it." (Gov. Code, § 12440.)

"An appropriation is a legislative act setting aside a certain sum of money for a specified object in such manner that the executive officers are authorized to use that money and no more for such specified purpose." (*White v. Davis* (2002) 108 Cal.App.4th 197, 211 [citation omitted].) Under California's Constitution, "the legislative department of the government is entrusted the exclusive power of deciding how, when, and for what purposes the public funds shall be applied in carrying on the government. To the legislative department of the government

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is entrusted the power to say to what purpose the public funds shall be devoted in each fiscal year. . . ." (*Humbert v. Dunn* (1890) 84 Cal. 57, 59-60; see also *People v. Pacheco* (1865) 27 Cal. 175, 209.)

All of the defendants in this case are part of the executive branch of government. They therefore lack power to appropriate state funds to fund the Receiver's projects.

Besides being ultra vires, any action taken to spend state funds in the absence of an appropriation could subject government officials to personal liability for repayment. (See Gov. Code, § 13324 [personal liability for excess expenditures]). In *Stanson v. Mott* (1976) 17 Cal.3d 206, our Supreme Court held that "public officials must use 'due care,' i.e., reasonable diligence, in authorizing the expenditure of public funds, and may be subject to personal liability for improper expenditures made in the absence of such due care." (*Id.* at pp. 226-227; see also *Stevens v. Geduldig* (1986) 42 Cal.3d 24, 34-36 [holding that executive branch officials who acted negligently in authorizing contracts were subject to personal liability for any losses caused by their actions, although the losses were later repaid from an authorized funding source].)

**C. While Special Funds Can Be Borrowed, They Must Be Reimbursed To Meet the Needs of the Special Funds, Which Makes Them Unavailable as a Source of Funding for the Receiver's Proposed Construction Projects.**

A second issue raised by the Receiver's questions is the extent to which special funds may be borrowed for other purposes. The State Treasury comprises a series of special funds and the general fund; the latter consisting of all treasury receipts not earmarked by law for a special fund. (Gov. Code, § 16300; see also Gov. Code, §§ 12440, 17000.) "[A]lthough transfers of funds are permissible, the fund from which money is transferred must be reimbursed. Such transfers are considered to be loans." (*Willens v. Cory* (1975) 53 Cal.App.3d 104, 107-108 (citations omitted), disapproved on other grounds by *Olson v. Cory* (1983) 35 Cal.3d 390; see also *Daugherty v. Riley* (1934) 1 Cal.2d 298, 309.) While the Legislature has authorized loans from special funds to the general fund in order to support state operations (Gov. Code, § 16310), this is done pursuant to law that requires the *anticipation of the receipt of revenues that will allow the special funds to be repaid when needed* by the special fund. The monies in a special fund cannot be permanently diverted. They can only be loaned. And to qualify as a loan, there must be a pre-borrowing belief that the special fund can be reimbursed when the funds are needed for the special fund purpose. Allowing the Receiver to take special funds without any expectation or means of repayment would be illegal. (*Daugherty, supra*, at p. 309.)

**II. Responses to the Receiver's Specific Questions**

1. **Do defendants intend to fund the Receiver's proposed construction projects without the necessity of a court order? If so, in what amounts, by what dates, and through what funding mechanisms?**



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At present, SB 1665 or some other bill containing its substance, is the defendants' only means of funding the Receiver's proposed construction projects without a court order because defendants do not presently have authority to fund the Receiver's proposed construction projects. As explained above, the defendants would violate the California Constitution and other state law if they agreed to spend money on the Receiver's proposed construction projects without an appropriation (Cal. Const., art. XVI, § 7; Gov. Code, § 12440), and could be subject to personal liability for monies spent. (*Stanson, supra*, at pp. 226-227; *Geduldig, supra*, at pp. 34-36.)

It is true that that when federal law places an obligation upon the state promptly to make payments of public funds, the Controller is authorized to make such payments independent of the enactment of an appropriation. (*White v. Davis, supra*, 108 Cal.App.4th at p. 223.) However, there is no federal law requiring the prompt payment for the Receiver's proposed construction projects.

The Receiver relies on general language in the district court's order dated February 14, 2006 ("Order") for the proposition that all costs, including the cost of construction, are required to be paid by the defendants. In that regard, the Order reads:

All costs incurred in the implementation of the policies, plans, and decisions of the Receiver relating to the fulfillment of his duties under this Order shall be borne by Defendants. Defendants shall also bear all costs of establishing and maintaining the Office of Receiver, including the compensation of the Receiver and his staff.

(Order, Page 7, lines 9-13.) By its own terms, the Order requires the defendants to bear the costs incurred with the "implementation of the policies, plans, and decisions of the Receiver relating to the fulfillment of his duties under the Order . . ." The duties of the Receiver are identified in the Order under paragraph 1 as "A. Executive Management," "B. Plan of Action," "C. Budgeting and Accounting," and "D. Reporting," and it is the cost for implementing those duties together with the cost of establishing and maintaining the Office of the Receiver which the defendants must bear.

While the Order requires payment of the costs incurred by the Receiver pursuant to the enumerated duties, the Order relied upon does not require the defendants to bear the cost of land acquisition, construction costs or other costs associated with capital outlay projects. In fact, the Order is to the contrary. As currently written, the "duties" of the Receiver, and the costs attributable thereto, are addressed separate and apart from the "Powers and Authority of the Receiver" which are contained in paragraph 2 of the Order. With respect to the Receiver's powers and authorities, the Order seems to make clear that the Receiver is vested with the "powers vested in law in the Secretary of the CDCR . . ." The Secretary's powers for which the Receiver is authorized to usurp do not include the power to obligate the State to fund capital outlay projects absent legislative authorization. On that point, and in apparent recognition of that fact, the Order contemplates that in carrying out the exercise of powers, the Receiver shall carry out that function, unless waived by the court, "in a manner consistent with California state laws, regulations, and contracts, including labor contracts." Although the Court has waived various

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contracting requirements, it has not waived the constitutional requirements that money may be drawn from the Treasury only through an appropriation made by law (Cal. Const., art. XVI, §7) or that all appropriations be made by the Legislature. (Cal. Const., art. IV, §12, subd. (d).)

Consequently, it appears that there is no existing authority for the defendants to fund the Receiver's proposed construction projects. However, the defendants would prefer to fund the projects without a court order.

2. **In the event that a court order is required to compel the Controller to draw warrants on the State Treasury to fund the Receiver's projects, is there particular language defendants require in such an order to ensure that the funds are forthcoming? Are there particular funds or accounts that the Court should identify in such an order, or is an order directing that payment be made in a specified amount from the General Fund sufficient?**

The defendants disagree with the Receiver's apparent objective of "seek[ing] an appropriate order compelling funding by the State." (Letter, July 15, 2008, p. 1). Capital outlay projects are traditionally funded through either general obligation bonds approved by the voters or through lease revenue bonds as authorized in law. To that extent, the Receiver has been provided two options consistent with the traditional funding mechanisms. The first option is SB 1665, as mentioned above, and the second potential option is another bond financing that is currently in the conceptual phases.

The state is not willing to waive its sovereign immunity for purposes of a court order requiring the payment of money from the State Treasury under these circumstances. Moreover, for the reasons described in this response, we believe any attempt to the payment of the Receiver's costs for proposed construction projects from the specified funds described below would be in violation of state constitutional and other substantive state and federal laws.

Defendants would also note that asking a party to a lawsuit to draft a hypothetical court order is neither informal nor formal "discovery." Defendants reserve the right to appeal any such order.

3. **Please identify all banks or depository institutions in which State funds are currently held or deposited and the respective balances held at each such institution.**

None of the current defendants possesses this information. Nonetheless, to facilitate informal discovery, counsel has contacted the State Treasurer's Office ("STO") for assistance in formulating this answer.

According to the STO, the State's use of depository institutions can be summarized as follows:

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<b>Demand Account Banks</b>	
<b>Financial Institution</b>	<b>Balance As of July 17, 2008</b>
Bank of America	365,322,997.08
Union Bank of California	375,156,665.76
Wells Fargo Bank	29,917,998.67
U.S. Bank	4,149,374.96
Citibank *	1,313,890.66
Bank of the West	5,055,064.38
West America Bank	5,331,912.53
<b>Total</b>	<b>\$786,247,904.04</b>

\* In addition to this amount, the STO maintains an additional \$13 million with Citibank as compensating balances for the services that the bank provides relative to debt service payments.

The seven demand account banks listed handle daily funds flowing in and out of the State Treasury. From the moment these monies are deposited, they are encumbered for the purposes they were collected, and are ultimately credited to agency, fund or account they were destined for on the same day as received. Further, certain amounts on deposit represent trust funds that flow through the State Treasury. A certain amount of cash is maintained on deposit to meet the State's immediate working capital operational needs. There are daily estimates of receipts and claims (warrants) using the funds in these bank balances to cover the warrants.

4. **As of June 30, 2008, the Controller reports that the Special Fund for Economic Uncertainties held \$925,715,000. What is the current balance in that fund? Is the Special Fund for Economic Uncertainties a source that may be utilized to fund the Receiver's projects in part? If not, why not? Where and in what form is the Special Fund for Economic Uncertainties held?**

The purposes for which the SFEU may be used are specified in Government Code section 16418. This fund is a special fund created in the State Treasury as a reserve fund to meet General Fund cash flow needs and to eliminate any General Fund deficit as of the end of each fiscal year (Gov. Code, §§16418, subd. (a) and (b)), and "for the purpose of allocating funds for disaster relief . . ." (Gov. Code, § 16418, subd. (c).) The disaster relief contemplated by section 16418(c) is related to damage resulting from earthquakes, fire and other natural disasters. Accordingly, it is not available for funding the Receiver's proposed construction projects. (*Long Beach Unified Sch. Dist. v. State of California* (1991) 225 Cal.App.3d 155, 183 [holding that there needs to be a general relationship between the purpose of the special fund and the expenditure made].)

The SFEU represents a reserve fund within the meaning of Section 5 of Article XIII B of the California Constitution and is unavailable for purposes relating to funding the Receiver's proposed construction projects. The current balance in the fund is zero.

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- 5. What is the current balance in the Economic Recovery Fund? Is the Economic Recovery Fund a source that may be utilized to fund the Receiver's projects in part? If not, why not? Where and in what form is the Economic Recovery Fund held?**

The Economic Recovery Fund (ERF) is a special fund created by the enactment of Government Code section 99060. The ERF was created as a repository for the bond proceeds authorized pursuant to the Economic Recovery Bond Act. (Gov. Code, §§99066 [incorporating provisions of State General Obligation Bond Law into Economic Recovery Bond Act], 99051(d), 99060 (a), 16722 and 16757 [defining and specifying the ERF as the fund into which Economic Recovery Bond proceeds are deposited].) The proceeds in the ERF are restricted for purposes for which the bonds were sold (Gov. Code, §99064) and are therefore not available to fund the Receiver's proposed construction projects. Section 99060(c) provides that except for amounts costs payable in connection with the bonds, and to retire or refund economic recovery bonds, the remaining balance of ERF as determined by the committee, will be transferred to the General Fund to fund the purposes of the Economic Recovery Bond Act. Uses of bond proceeds have been likened to contractual limitations upon the issuing governmental entity, here the state, which has entered into a contract with the voters. (See *Veterans of Foreign Wars v. State of California* (1974) 36 Cal.App.3d 688 [bond act formed contract with voters; change in use of bond proceeds held in violation of constitution]; See also *Metropolitan Water Dist. v. Dorff* (1982) 138 Cal.App. 3d 388, 398, citing *Peery v. City of Los Angeles* (1922) 187 Cal. 753, 769 ["status analogous to a contract" is created when electors exercise their constitutional right to approve creation of bonded indebtedness].) The current balance in the fund is \$68,370.

- 6. What is the current balance in the Budget Stabilization Account? Is the Budget Stabilization Account a source that may be utilized to fund the Receiver's projects in part? If not, why not? Where and in what form is the Budget Stabilization Account held?**

The Budget Stabilization Account is a special fund created by California Constitution, Article 16, Section 20 (Proposition 58, approved March 2, 2004.). The fund was created for specific purposes unrelated to funding the Receiver's proposed construction project and, therefore, is unavailable for that purpose. The current balance in the fund is zero.

- 7. What are the current balances in the Surplus Money Investment Fund ("SMIF"), the Pooled Money Investment Account ("PMIA") and the State Expenditure Revolving Funding ("SERF")? If the General Fund is exhausted, will defendants request a transfer pursuant to Government Code §§§§ 13332 and/or 16310 to the General Fund from other funds or accounts, including the SMIF, the PMIA, and the SERF, to fund the Receiver's projects? If not, why not? If so, in what amounts and by what dates?**

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### **Surplus Money Investment Fund**

The SMIF and its uses are governed by Government Code section 16470 through 16476. SMIF contains funds from both the General Fund and the special funds which are not necessary for the particular funds' immediate needs. Money in SMIF is invested by the Treasurer and all investment earnings are apportioned to the contributing fund in accordance with law. Since the General Fund is exhausted, all amounts currently contained in SMIF are derived from the special funds. Special fund money is only available for purposes specified in law and, while temporarily borrowed by the General Fund, the money must be available to meet the demands of the special fund. (See *Daugherty v. Riley*, *supra*, 1 Cal.2d 298, 309; *Willens v. Cory*, *supra*, 53 Cal.App.3d 104, 107-108.) The law provides that the special fund monies may be borrowed so long as the borrowing does not interfere with the purpose of the special fund. Here, the Receiver is seeking a transfer of special fund monies which will make the monies unavailable for the special fund and interfere with the purpose of the special fund. For this reason, money in SMIF is unavailable to fund the Receiver's proposed construction projects.

The current balance in SMIF is \$31,009,794,946 as of July 17, 2008.

### **Pooled Money Investment Account (PMIA)**

Government Code section 16480 provides "all state money held by the State Treasurer in treasury trust accounts, and all money in the State Treasury [with certain exceptions] is appropriated for the purpose of investment and deposit as provided in this article." As is the case with SMIF, the PMIA is merely an investment account for money not immediately needed by the State's General Fund, special funds, and for money deposited by cities, counties and other local entities into the Local Agency Investment Fund (LAIF) established by Government Code 16429.1(a). Note that LAIF monies are never available for transfer to the General Fund. (Gov. Code, §16429.3.) Since the General Fund is exhausted, all amounts currently contained in PMIA are derived from the special funds or the LAIF. Thus, because the PMIA is currently investing only special funds and trust funds, the PMIA not available to fund the Receiver's proposed construction projects.

The current balance in the PMIA is \$71,071,895, 970 as of July 17, 2008.

### **State Expenditure Revolving Fund**

The SERF was created in the Budget Act of 1981. (Stats 1981, ch. 99.) The purpose of the fund is to facilitate program cost accounting consistent with the provisions of Chapter 1284, Statutes of 1978. The State Controller, at the request of an agency, may transfer up to 10% of any agencies' Budget Act appropriation to SERF. The agency may use the fund to make payment of payroll and other claims. The use of money in this fund is charged against the appropriations of the appropriate agency. SERF may only be used by an agency for purposes authorized in the Budget Act and is unavailable to fund the Receiver's proposed construction projects. The current balance in SERF is zero.



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**8. Will defendants use the General Cash Revolving Fund to fund the Receiver's projects? If not, why not? If so, in what amounts and by what dates?**

The General Cash Revolving Fund (GCRF) is a temporary accounting device established pursuant to Government Code section 16381. When there is insufficient cash in the General Fund to pay appropriations when due, the Controller may request the Governor to open the GCRF. (Gov. Code, § 16383.) The amount needed to pay these appropriations is internally borrowed from special funds and deposited to the GCRF. (Gov. Code, §16381).

Reimbursement Warrants (RAWs) are a short-term, external cash flow borrowing that the Controller issues to reimburse the GCRF; and upon reimbursement, the GCRF is closed. (Gov. Code, §§ 16384, 17241). Supreme Court case law excepts RAWs from the California Constitution, article XVI, section 1 (the "Debt Limit"), when the RAWs are issued to pay a valid existing appropriation and revenues to pay that appropriation are anticipated or reasonably expected to be available within a short period of time. (*Johnson v. Riley (Riley I)* (1933) 219 Cal. 513; *Riley v. Johnson (Riley II)* (1936) 6 Cal. 2d 529; *PMIB v. Unruh (PMIB)* (1984) 153 Cal.App.3d 155.) Because of these restrictions, funds received from the sale of RAWs are unavailable to fund the Receiver's proposed construction projects.

**9. Will defendants issue Revenue Anticipation Notes to fund the Receiver's projects in whole or in part? If not, why not? If so, in what amounts and by what dates?**

Revenue Anticipation Notes (RANs), like Reimbursement Warrants, are another form of short-term, external borrowing that requires as a pre-requisite, the existence of a valid appropriation. (Gov. Code, §17300.) RANs can only be issued when the Controller determines that revenues in that fiscal year are insufficient to meet the appropriations made by the Legislature. (*Ibid.*) Further, the case law exempting the RANs from the Debt Limit, requires that the RANs be repaid from anticipated revenues within the same fiscal year as issued. (*See Riley I, Riley II, PMIB and Flourney v. Priest* (1971) 5 Cal.3d 35.) Because of these restrictions, funds received from the sale of RANs are unavailable to fund the Receiver's proposed construction projects.

**10. As of June 30, 2008, the Controller identified more than \$12 billion in short-term "borrowable resources." Please identify all such "borrowable resources" and the amounts currently available. Will defendants utilize such resources to fund the Receiver's projects in whole or in part? If not, why not? If so, in what amounts and by what dates?**

The figure referenced in question 10 is the amount of unused Borrowable Resources. The Borrowable Resources consist entirely of special fund money which is temporarily available to be loaned to the General Fund. Further, what the state considers to be Borrowable Resources primarily consists of funds discussed above in our response to II.7 above. Because this is special fund money, as stated above, any money borrowed must not interfere with the purpose of the

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special fund and must be retransferred to the special fund as needed. Because these are special fund resources and are available for temporary General Fund use, they are unavailable for purposes of funding the Receiver's proposed construction projects. A complete listing of the Borrowable Resources as of June 30, 2008, is attached.

11. **Please identify a person or persons most knowledgeable about the sources and uses of cash in the State General Fund, the methods by which funds are transferred to and from the General Fund and other sources and the legal authorization for such transfers, the procedures that are followed and/or required to effectuate transfers from other accounts or funds to the General Fund, the methods and mechanisms by which the State raises cash and/or funds obligations when the General Fund is exhausted, the funds or accounts that are potentially available as sources of cash for the General Fund, the location(s) at which State funds are held or deposited and the amount and availability of borrowable resources.**

This response provides extensive information, and it also expresses the willingness of defendants to meet with the Receiver to discuss these matters further. Under the circumstances, defendants can work with the Receiver informally to identify persons most knowledgeable, to the extent that may still be needed after the Receiver reviews this information.

Sincerely,

  
CHRISTOPHER E. KRUEGER  
Senior Assistant Attorney General

For EDMUND G. BROWN JR.  
Attorney General

CEK:rara

Enclosure: Complete listing of the Borrowable Resources

(below w/encl.)

cc: Andrea Hoch, Legal Affairs Secretary - Office of the Governor  
Louis Mauro, Chief Deputy Legal Affairs Secretary - Office of the Governor  
Benjamin Rice, Deputy Legal Affairs Secretary - Office of the Governor  
Richard Chivaro, Chief Counsel - State Controller's Office  
Molly Arnold, Chief Counsel - Department of Finance  
Paul B. Mello, Esq. - Hanson Bridgett LLP  
Rochelle C. East, Acting SAAG - DOJ Correctional Law

Question # 10.				
Internal Borrowable Resources as of 6/30/08				
Fund Number	Fund Name	Amount (in thousands)	Subtotal	Total
0374	Special Fund for Economic Uncertainties	\$2,377,451		
0377	1987 Higher Education Earthquake Account	\$23		
	Total SFEU		\$2,377,474	
1011	Budget Stabilization Account	\$0		
	General Fund Special Accounts			
0014	Hazardous Waste Control Account	\$13,653		
0022	State Emergency Telephone Number Acct	\$144,709		
0025	Leaking Underground Storage Tank Cost Recovery Fund	\$109		
0028	State Motor Vehicle Insurance	\$30,088		
0050	Colorado River Mgmt Account	\$16,385		
0065	Illegal Drug Lab Cleanup Account	\$6,386		
0448	Occupancy Compliance Monitoring Account	\$60,499		
0457	Mortgage Bond Allocation Fee Account	\$58,856		
0462	PUC Utilities Reimbursement Account	\$20,866		
0497	Local Government Geothermal Resources Revolving Subaccount	\$8,410		
0557	Toxic Substances Control Account	\$45,828		
various	Other Special Accounts (to be separately identified at a later date)	\$157,785		
	Total General Fund Special Accounts		\$563,574	
	Special Funds			
0007	Breast Cancer Research Account	\$25,944		
0041	Aeronautics Account	\$11,282		
0042	State Highway Account	\$201,111		
0044	Motor Vehicle Account	\$614,681		
0046	Public Transportation Account	\$41,861		
0048	Transportation Revolving Account	\$320,118		
0061	Motor Vehicle Fuel Account	\$273,066		
0062	Highway Users Tax Account	\$0		
0064	Motor Vehicle License Fee Account	\$15,896		
0067	State Corporations Fund	\$18,401		
0080	Childhood Lead Poisoning Prevention Fund	\$31,713		
0100	California Used Oil Recycling Fund	\$26,501		
0101	School Facilities Fee Assistance Fund	\$854		
0106	Pesticide Regulation Fund	\$22,381		
0111	Department of Food and Agriculture Account	\$18,233		
0115	Air Pollution Control Fund	\$133,611		
0121	Hospital Building Fund	\$73,358		
0125	Assembly Contingent Fund	\$6,762		
0133	California Beverage Container Recycling Fund	\$277,225		
0140	California Environmental License Plate Fund	\$11,286		
0143	California Health Data and Planning Fund	\$29,489		
0144	California Water Fund	\$1,130		
0159	Trial Court Improvement Fund	\$133,838		
0183	Environmental Enhancement and Mitigation Demonstration Prgm	\$23,573		
0184	Employment Development Department Benefit Audit Fund	\$4,298		
0185	Employment Development Department Contingent Fund	\$47,622		
0186	Energy Resources Surcharge Fund	\$0		
0192	Fair and Exposition Fund Satellite Wagering Account	\$5,716		
0193	Waste Discharge Permit Fund	\$36,713		
0203	Genetic Disease Testing Fund	\$8,190		
0214	Restitution Fund	\$139,739		
0217	Insurance Fund	\$56,921		



Fund Number	Fund Name	(in thousands)	Subtotal	Total
0223	Worker's Comp Admin Revolving Fund	\$67,600		
0226	California Tire Recycling Management Fund	\$98,187		
0228	Secretary of State's Business Fees Fund	\$16,375		
0230	Cigarette and Tobacco Products Surtax Fund	\$2,350		
0231	Cigarette and Tobacco, Health Education Fund	\$62,561		
0232	Cigarette and Tobacco, Hospital Services Account	\$24,723		
0233	Cigarette and Tobacco, Physician Services Account	\$2,736		
0234	Cigarette and Tobacco, Research Account	\$34,461		
0235	Cigarette and Tobacco, Public Resources Account	\$2,177		
0236	Cigarette and Tobacco, Unallocated Account	\$17,113		
0262	Habitat Conservation Fund	\$32,445		
0263	Off-Highway Vehicle Fund	\$188,104		
0269	Glass Processing Fee Account	\$6,940		
0281	Recycling Market Development Revolving Loan Account	\$17,467		
0309	Perinatal Insurance Fund	\$13,582		
0317	Real Estate Fund	\$42,915		
0320	Oil Spill Prevention and Administration Fund	\$14,584		
0321	Oil Spill Response Trust Fund	\$57,444		
0331	Sales Tax Account	\$221,182		
0332	Vehicle License Fee Account	\$57,191		
0334	Vehicle License Fee Growth Account	\$254		
0347	School Land Bank Fund	\$59,170		
0367	Indian Gaming Special Distribution	\$183,733		
0372	Disaster Relief Fund	\$10		
0381	Public Interest Research, Development, and Demonstration Fund	\$238,108		
0382	Renewable Resource Trust Fund	\$170,708		
0387	Integrated Waste Management Account	\$24,451		
0392	State Parks and Recreation Fund	\$41,383		
0400	Real Estate Appraisers Regulation Fund	\$18,561		
0412	Transportation Rate Fund	\$1,283		
0421	Vehicle Inspection and Repair Fund	\$69,384		
0439	Underground Storage Tank Cleanup Fund	\$13,521		
0516	Harbors and Watercraft Revolving Fund	\$211,302		
0566	Judicial Admin Effectiveness & Modernization	\$45,215		
0571	Uninsured Employers Account	\$16,982		
0602	Architecture Revolving Fund	\$70,632		
0620	Child Care Facility Revolving Fund	\$74,296		
0652	Old Age/Survivors Insurance Revolving Fund	\$5,773		
0666	Service Revolving Fund	\$59,799		
0678	Prison Industries Revolving Fund	\$56,752		
0679	State Water Quality Control Fund	\$34,941		
0682	Inmate Construction Revolving Account	\$80,654		
0702	Professions and Vocations, Consumer Affairs Fund	\$48,539		
0704	Professions and Vocations, Accountancy Fund	\$23,800		
0735	Professions and Vocations, Contractors' License Fund	\$33,732		
0758	Professions and Vocations, Contingent Board of Medical Examiners	\$22,449		
0761	Professions and Vocations, Registered Nursing Fund	\$19,630		
0827	Milk Producers Security Trust Fund	\$49,824		
0872	State Hospital Account	\$51,243		
0903	Assessment Fund	\$0		
0929	Housing Rehabilitation Loan Fund	\$55,243		
0932	Trial Court Trust Fund	\$185,811		
0955	State Instructional Materials Fund	\$57,067		
0956	State School Site Utilization Fund	\$5,641		
0961	School Deferred Maintenance Fund	\$24,170		
0970	Unclaimed Property Fund	\$388,873		
3007	Traffic Congestion Relief Fund	\$698,958		
3008	Transportation Investment Fund	\$123,610		
3019	Substance Abuse Treatment Trust	\$1,681		

<u>Fund Number</u>	<u>Fund Name</u>	<u>(in thousands)</u>	<u>Subtotal</u>	<u>Total</u>
3020	Tobacco Settlement Fund	\$2,284		
3082	School Facility Emergency Repair	\$85,171		
3093	Transportation Deferred Investment Fund	\$336,830		
8032	Oil Trust Fund	\$169,836		
9730	Department of Technology Service Revolving Fund	\$38,218		
6050	Tobacco Asset Sales Revenue Fund	\$189		
various	Other Special Funds (to be separately identified at a later date)	\$1,552,788		
	Total Special Funds		\$9,044,126	
	Other Funds and Accounts			
0999	Agency Bank Accounts	\$863,369		
0094	Retail Sales Tax	\$1,210,852		
0890	Federal Trust Fund	\$100,000		
0942	Special Deposit Fund	\$50,000		
	Total Other Funds and Accounts		\$2,224,221	
Total Internal Borrowable Resources at June 30, 2008				\$14,209,395

# EXHIBIT 3

FUTTERMAN  
& DUPREE LLP  
ATTORNEYS AT LAW

July 28, 2008

VIA U.S. MAIL AND ELECTRONIC MAIL

Christopher E. Krueger  
Senior Assistant Attorney General  
1300 I Street, Suite 1101  
P.O. Box 944255  
Sacramento, CA 94244-2550

Re: Funding the Receiver's proposed Construction Projects

Dear Mr. Krueger:

Thank you for your letter of July 22, 2008 responding to my letter of July 15. After reviewing the responses in your letter, we have a number of additional questions to which we would appreciate a prompt response. They are set forth below.

1. You acknowledge that "when federal law places an obligation upon the state promptly to make payments of public funds, the Controller is authorized to make such payments independent of the enactment of an appropriation" (citing *White v. Davis* (2002) 108 Cal.App.4<sup>th</sup> 197, 223). As you know, Judge Henderson determined that the State was in violation of the Eighth Amendment to the U.S. Constitution and concluded that he would appoint a Receiver to take control of the prison medical system and to remedy the violations of the Constitution. The State did not appeal from that order. Judge Henderson then appointed a Receiver on February 14, 2006. Included in the Order Appointing Receiver ("OAR") was a provision that the State would bear "all costs" incurred by the Receiver "relating to the fulfillment of his duties." The OAR also provides that the "Receiver shall have to power to acquire, dispose of, modernize, repair, and lease property . . . as necessary to carry out his duties." The State did not appeal from that order. The Receiver has repeatedly notified the parties and the Court that part of his plan of action involved the modernization and construction of medical facilities at prisons throughout the State and the construction of several large facilities throughout the State to provide space for as many as 10,000 medical and mental health beds. The Court entered an order approving the Receiver's Turnaround Plan of Action, part of which specifically addressed the rehabilitation and reconstruction of existing structures and the construction of the new facilities. The State did not appeal from that order. The Receiver sought, and obtained, waivers of State law to permit the first such upgrades to commence

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at Avenal State Prison, Mule Creek State Prison, Correctional Training Facility and California Rehabilitation Center and to commence the initial work designed to construct the facilities containing the projected 10,000 beds. The State did not oppose those waiver applications or appeal from the orders approving them. As a result, the Receiver commenced work at the four prisons identified above and has commenced the initial planning and design for the 10,000 bed project. As you know, recently the Receiver has demanded, in letters to the Governor and the Controller, that the State immediately transfer to the Receiver \$204.6 million to cover costs already incurred and to be incurred through December 2008 with respect to the foregoing projects.

- a. The Governor responded to the Receiver's letter indicating that he did not believe he had the legal authority to authorize the payment of the requested \$204.6 million. In light of the federal court's orders described above, please explain why the Defendants do not believe the Eighth Amendment of the U.S. Constitution and the orders entered by the federal court in this matter constitute "federal law" that "places an obligation upon the State promptly to make payments of public funds . . . independent of the enactment of an appropriation."
2. In several points in your July 22 letter, you express the view that loans of funds from various special funds for the Receiver's projects would be "illegal" because there is no "expectation or means of repayment." In other instances, you assert that loaning funds from special funds for the Receiver's projects would "interfere" with the purpose of the special funds or render such monies "unavailable" to the special fund.
  - a. Why do you assume that there would be no expectation or means of repayment or that such loans would interfere with, or render monies unavailable to, the special funds?
  - b. Why is borrowing from special funds by the General Fund to reimburse costs to and/or to fund the Receivership any different from borrowing from special funds by the General Fund for any other purpose? How are the "expectations and means of repayment" expressed for such other borrowing?
  - c. If the General Fund is exhausted, has the Governor ordered the Controller to direct the transfer of all or any portion of the moneys not needed in other funds or accounts to the General Fund? If so, when, in what amounts and for what purposes?
3. We have enclosed a list developed and published by the Department of Finance pursuant to Government Code § 16320 of "Outstanding Loans to the General Fund" from various special funds. You will note that many of such loans go back as far as 2002. Under the column "Actual or Projected Loan Repayment Date," roughly two-thirds are listed as

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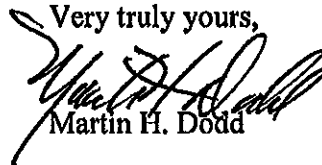
"none specified." If borrowing from special funds requires an expectation or means of repayment, why do the majority of such loans have no specified repayment date?

4. With respect to the cash held in the Demand Account Banks, what is the interest rate paid with respect to the funds held in each such account?
  - a. How much in interest was earned on such accounts from January 1, 2008 to June 30, 2008?
  - b. How much cash is currently maintained on deposit to meet immediate working capital needs and at which bank(s)?
5. If \$925,715,000 was held in the Special Fund for Economic Uncertainties on June 30, 2008 and \$0 was held in that account on July 22, 2008, please set forth to the nearest \$1 million the purpose for which such funds were used in that 3 week period.
6. What is the interest rate applied to the funds held in the Surplus Money Investment Fund ("SMIF")?
  - a. How much in total interest or other investment earnings was allocated/transferred to the funds in the SMIF over the last three fiscal years? How much of such interest/investment earnings was allocated/transferred to the General Fund and for what purposes?
  - b. How much in interest/investment earnings is currently held in the SMIF and, of that amount, how much, if any, has been allocated/transferred to the General Fund?
  - c. In your July 22 letter, you state that the General Fund has become exhausted. Has the General Fund borrowed any funds from the SMIF since becoming exhausted? If so, when, for what purposes and in what amounts? What is the expectation and means of repayment for such borrowed funds?
  - d. Has the General Fund borrowed any interest/investment earnings and/or principal from the SMIF at any time in the last three fiscal years? If so, when, for what purposes and in what amounts? What are or were the means and method of repayment for such funds? Please provide documentation demonstrating the means of repayment.
7. Over the last three fiscal years, has the General Fund borrowed from any source other than the SMIF after becoming exhausted? If so, for what purposes and in what amounts? What is/was the expectation and means of repayment for such borrowed funds?

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8. Please identify any and all appropriations controlled by the Director of the Department of Finance or the Secretary of the Department of Corrections and Rehabilitation which may be allocated or reallocated for the purpose of funding facility planning, design or construction *without* notification to the Legislature. Please provide the same information for any such appropriations that require notification to the Legislature.
9. On the State Controller's website, the Controller lists the following obligations that the Controller must continue to pay notwithstanding the lack of a budget:
  - a. Federally-mandated services such as Supplemental Security Income/State Supplementary Payment (SSI/SSP), and In-Home Support Services.
  - b. Debt service and other payments required by the State Constitution.
  - c. Payroll for state employees covered by the Federal Fair Labor Standards Act.
  - d. Vendor payments for services provided in the last fiscal year.
  - e. Expenses with ongoing appropriations from the Legislature, including Medi-Cal, CalWORKs, income tax refunds and payments on claims for unclaimed property.
  - f. What is/are the source(s) of cash that the Controller is using to pay these continuing obligations?

We look forward to receiving your responses to the foregoing. Please call with any questions.

Very truly yours,  
  
Martin H. Dodd

cc: (All via e-mail)  
Andrea Hoch  
Benjamin Rice  
Kyle Lewis  
Paul B. Mello  
Rochelle East  
J. Clark Kelso  
John Hagar  
Jared Goldman  
Linda Buzzini



ARNOLD SCHWARZENEGGER, GOVERNOR  
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

January 31, 2008

Honorable Denise Moreno Ducheny, Chair  
Joint Legislative Budget Committee  
Attention: Ms. Jody Martin  
Senate Budget and Fiscal Review Committee

Honorable John Laird, Chair  
Assembly Budget Committee

Honorable Tom Torlakson, Chair  
Senate Appropriations Committee

Honorable Mark Leno, Chair  
Assembly Appropriations Committee

**Report per Government Code Section 16320**

Attached is the report prepared pursuant to Government Code Section 16320, which requires the Director of Finance to submit a summary and list of loans to the General Fund or obligations for future payment of deferred or suspended expenditures or transfers to any special fund or account and the dates that the loans or obligations are due. The attached reports were prepared with projections included in the 2008-09 Governor's Budget, and are based upon current law. Attachment I reflects the balances of outstanding loans to the General Fund from special funds and Attachment II reflects the balances of other General Fund obligations.

If you have any questions or need additional information regarding this matter, please call Bill Steffenhagen at (916) 322-5540.

MICHAEL C. GENEST  
Director  
By:

/s/ Vincent P. Brown

VINCENT P. BROWN  
Chief Deputy Director

Attachment

cc: Ms. Elizabeth Hill, Legislative Analyst (4)  
Mr. Danny Alvarez, Staff Director, Senate Budget and Fiscal Review Committee  
Mr. Bob Franzola, Staff Director, Senate Appropriations Committee  
Mr. Seren Taylor, Staff Director, Senate Republican Fiscal Office  
Ms. Diane Cummins, Senate President pro Tempore's Office  
Mr. Christopher W. Woods, Chief Consultant, Assembly Budget Committee  
Mr. Geoff Long, Chief Consultant, Assembly Appropriations Committee  
Mr. Peter Schaafsma, Staff Director, Assembly Republican Fiscal Committee  
Mr. Ivan Altamura, Chief of Staff, Assembly Republican Leader's Office  
Mr. Craig Cornett, Assembly Speaker's Office (2)



Attachment 1

**Outstanding Loans to the General Fund**  
**June 30, 2007 Balances**  
**As Projected in the 2008-09 Governor's Budget**  
 (whole dollars)

Org	Department	Item Number	Fund #	Fund Name	Authority	Outstanding Loan Balance as of June 30, 2007	Actual or Projected Loan Repayment Date
1111	Consumer Affairs-Bureaus, Programs Divisions	1111-011-0239	0239	Private Security Services Fund	Budget Act of 2003	\$4,000,000	none specified
1111	Consumer Affairs	1111-011-0421	0421	Vehicle Inspection & Repair Fund	Budget Act of 2002	\$100,000,000	none specified
1111	Consumer Affairs-Bureaus, Programs Divisions	1111-003-0421	0421	Vehicle Inspection and Repair Fund	Budget Act of 2003	\$14,000,000	none specified
1120	Board of Accountancy	1120-011-0704	0704	Accountancy Fund	Budget Act of 2002	\$6,000,000	none specified
1120	Board of Accountancy	1120-011-0704	0704	Accountancy Fund	Budget Act of 2003	\$270,000	none specified
1170	Board of Behavioral Sciences	1170-011-0773	0773	Behavioral Science Examiners Fund	Budget Act of 2002	\$6,000,000	none specified
1250	Dental Board	1250-011-0741	0741	State Dentistry Fund	Budget Act of 2002	\$2,500,000	none specified
1250	Board of Dentistry	1250-011-0741	0741	State Dentistry Fund	Budget Act of 2003	\$1,900,000	none specified
1450	Board of Psychology	1450-011-0310	0310	Psychology Fund	Budget Act of 2002	\$5,000,000	none specified
1475	CA Board of Occupational Therapy	1475-011-3017	3017	Occupational Therapy Fund	Budget Act of 2003	\$640,000	none specified
1580	Board of Vocational Nurse and Psychiatric Technician Examiners	1580-011-0780	0780	Vocational Nurse and Psychiatric Technicians Examiners Fund	Budget Act of 2003	\$1,000,000	none specified
2150	Financial Institutions	2150-011-0299	0299	Credit Union Fund	Budget Act of 2002	\$2,700,000	none specified
2180	Corporations	2180-011-0067	0067	State Corporations Fund	Budget Act of 2002	\$18,500,000	none specified
2240	Housing & Community Development	2240-115-0972	0972	Manufactured Home Recovery Fund	Chapter 3, Statutes of 2003 First Ext. Session	\$300,000	June 1, 2009
2240	Housing & Community Development	2240-115-0927	0927	Farmworker Housing Grant Fund	Chapter 3, Statutes of 2003 First Ext. Session	\$1,048,000	none specified
2240	Housing & Community Development	2240-115-0929	0929	Housing Rehabilitation Loan Fund	Chapter 3, Statutes of 2003 First Ext. Session	\$2,580,000	none specified
2240	Housing & Community Development	2240-115-0929	0929	Housing Rehabilitation Loan Fund	Budget Act of 2003	\$31,580,000	none specified
2240	Housing & Community Development	2240-115-0938	0938	Rental Housing Construction Fund	Chapter 3, Statutes of 2003 First Ext. Session	\$1,834,000	none specified

**Outstanding Loans to the General Fund**  
**June 30, 2007 Balances**  
**As Projected in the 2008-09 Governor's Budget**  
 (whole dollars)

Attachment I

Org	Department	Item Number	Fund #	Fund Name	Authority	Outstanding Loan Balance as of June 30, 2007	Actual or Projected Loan Repayment Date
2240	Housing & Community Development	2240-116-0985	0985	Emergency Housing and Assistance Fund	Chapter 3, Statutes of 2003 First Ext. Session	\$1,677,000	none specified
2240	Housing & Community Development	2240-117-0813	0813	Self-Help Housing Fund	Chapter 3, Statutes of 2003 First Ext. Session	\$3,418,000	none specified
2310	Office of Real Estate Appraisers	2310-011-0400	0400	Real Estate Regulations Appraisal Fund	Chapter 23, Statutes of 2004	\$2,000,000	none specified
2310	Office of Real Estate Appraisers	2310-015-0400	0400	Real Estate Appraisers Regulation Fund	Chapter 3, Statutes of 2003 First Ext. Session	\$1,000,000	none specified
2320	Real Estate	2320-011-0317	0317	Real Estate Commissioner's Fund	Budget Act of 2002	\$10,900,000	none specified
3360	Energy Commission	3360-011-0382	0382	Renewable Resource Trust Fund	Budget Act of 2002	\$18,200,000	none specified
3480	Conservation	3480-011-0133	0133	Beverage Container Recycling Fund	Budget Act of 2002	\$188,000,000	June 30, 2013
3480	Conservation	3480-011-0133	0133	Beverage Container Recycling Fund	Budget Act of 2003	\$98,300,000	June 30, 2013
3480	Conservation	3480-011-0269	0269	Glass Processing Fee Account	Budget Act of 2003	\$39,000,000	June 30, 2012
3480	Conservation	3480-011-0278	0278	PET Processing Fee Account	Budget Act of 2003	\$27,000,000	June 30, 2012
3910	CA Integrated Waste Management Board	3910-004-0226	0226	Tire Recycling Management Fund	Budget Act of 2003	\$17,097,000	June 1, 2009
3910	CA Integrated Waste Management Board	3910-004-0281	0281	Recycling Market Development Revolving Loan Subaccount	Budget Act of 2003	\$1,853,000	June 1, 2009
3910	CA Integrated Waste Management Board	3910-007-0387	0387	Integrated Waste Management Account, Integrated Waste Management Fund	Budget Act of 2003	\$4,768,000	June 1, 2009
3940	Water Resources Control Board	3940-011-0439	0439	Underground Storage Tank Cleanup Fund	Budget Act of 2003	\$3,200,000	June 1, 2009
3960	Toxics	3960-014-0557	0557	Toxic Substances Control Account	Budget Act of 2004	\$970,000	June 30, 2010
8660	Public Utilities Commission	8660-011-0493	0493	CA Teleconnect Fund Administrative Committee Fund	Budget Act of 2003	\$131,800,000	\$5,000,000 to be repaid June 30, 2008. No repayment date specified for remaining amount.
<b>Totals</b>						<b>\$749,075,000</b>	

**GENERAL FUND OBLIGATIONS**  
(dollars in thousands)

<u>Description</u>	<u>Actual June 30, 2007 Balance</u>	<u>Anticipated Repayment Date as Projected in the 2008-09 Governor's Budget</u>
Non-Proposition 98 State Mandates	\$905,600	Repayment began July 1, 2006 with subsequent payments spread over 14 years pursuant to Chapter 72/2005. The 2006 Budget Act contained the first two payments totaling \$169.9 million. No additional payment is scheduled in the 2007 Budget Act. Payments will resume in the 2008-09 fiscal year.
Proposition 98 Settle-up	1,100,590	Repayment of \$150 million annually beginning in 2006-07, pursuant to Education Code 41207.
CTA Lawsuit Settlement	2,064,445	Repayment will begin with \$300 million in 2007-08 and \$450 million each year thereafter.
Suspensions of General Fund Transfers to Transportation Investment Fund (Proposition 42)	745,000	Of the initial \$2,127 billion, repayments of \$479 million for the 2003-04 suspension and of \$903 million for the 2004-05 suspension were made in 2006-07. Annual repayments of \$43.3 million for the 2003-04 suspension and of \$39.3 million for the 2004-05 suspension begin in 2007-08 and are projected through 2015-16.
Pakamo Lawsuit Settlement	<u>342,400</u>	To be repaid over 10 years which started in 2005-06.
<b>Total</b>	<b>\$5,158,035</b>	